

## **Historic, Archive Document**

Do not assume content reflects current scientific knowledge, policies, or practices.



# AGRICULTURAL COOPERATION

LEGAL, ECONOMIC, AND ORGANIZATION INFORMATION COLLECTED BY THE BUREAU OF AGRICULTURAL ECONOMICS,  
UNITED STATES DEPARTMENT OF AGRICULTURE, WASHINGTON, D. C.

---

December 21, 1925

Vol. III, No. 26.

## COLORADO POTATO EXCHANGE BUILDING WAREHOUSES

The first of the warehouses to be erected by the Colorado Potato Warehousing Corporation, Denver, a subsidiary of the Colorado Potato Growers' Exchange, has been erected at Hooper, Colo. The warehouse is constructed of double adobe brick walls with an air space between the walls, and is frost proof. It is equipped with power machinery for grading, also handling machinery, including elevators for loading cars. A large skylight is located over the center of the building that there may be adequate light for the grading operations.

-----0-----

## FOUR YEARS OF COOPERATION BY CALIFORNIA PEACH GROWERS

Because of the big crop of cling peaches the past season the management of the California Canning Peach Growers, San Francisco, was confronted with the task of inducing "jobbers to buy and buy as never before." The total pack for the season which extended from July 6 to October 17, amounted to 7,900 tons, which represents approximately 353,589 cases. This fruit was packed by canners on a basis whereby any profits realized for the season's operations would be divided between the association and the packers. Owing to the completeness with which the details of financing were worked out, checks were sent to growers within five days after delivery of the fruit.

Association revenues for services rendered during the past season were \$126,770. Expenses were \$60,620. There was carried to reserve accounts \$66,150. On November 15 the withholdings funds amounted to \$136,561, this sum being the total of the withholdings from the crops of 1923, 1924 and 1925. The 1923 withholdings, amounting to \$32,262, will be returned to the growers in the fall of 1926. Withholdings are approximately 5 per cent of sales and furnish the working capital of the enterprise.

As a result of a special vote of the membership in September, the voting board is to be abolished and a conference board is to take its place. Directors are to be elected for terms of two years by a direct vote by mail after nominations have been made.

This cooperative, which began functioning in 1922, has more than 1,200 members with more than 13,000 acres of cling peached.

NEW UNITS ADDED TO ORANGE FEDERATION

Six associations have been added during the past year to the organizations federated to form the Mutual Orange Distributors, Redlands, Calif. One association withdrew from the federation during the year. In his annual report for the year ending November 13, 1925, the general manager calls attention to the fact that with a smaller crop than in the preceding year a larger return was made to the growers. The manager also states that over 30,000 orchard heaters have been distributed by the association for use in protecting from frost damage. In the opinion of the manager, a larger tonnage than ever before will be handled by the federation the coming season.

----0----

WASHINGTON COOPERATIVE OPERATES ON A BUDGET SYSTEM

The Wenatchee District Cooperative Association, Wenatchee, Wash., operates upon a budget system. At the beginning of its business year it estimates the probable tonnage to be handled and the probable expenditure for each department, also the probable income from miscellaneous sources. Then at each monthly meeting of the board of trustees the manager of the association submits a detailed financial report along with a statement called "budget comparison." These statements indicate for each department and each expense account: (1) expense this month, (2) expense for same month last year, (3) total expense to same day and month last year, (4) total expense to date this year, (5) pro rata of budget allowed to this date, (6) total amount of budget, and (7) present balance in budget. These statements not only give the members of the board of trustees a clear picture of the expenditures at given dates but they indicate which expenditures are overrunning the pro rata share of the budget and call for explanation on the part of the management.

Eleven groups of items are considered in preparing the budget. These groups are divided into many accounts, the expenditures for which are estimated separately.

The budget of the association for the current business year places the estimated expenditures at \$95,775, and miscellaneous receipts at \$6,700, making a net expenditure of \$89,075. Some of the larger estimates by departments are: sales, \$23,900; accounting, \$14,770; administration, \$10,300; and advertising, \$10,000.

It is also estimated that a total of 960,000 boxes of apples will be marketed and that the cost of the service rendered by the association will amount to 9-1/4 cents a box, which will be the lowest per-box cost during the five years that the association has been operating.

TEXAS DAIRY ASSOCIATION PLANS LARGER BUSINESS

In order to obtain capital for enlarging its business, the Rio Grande Valley Dairy Association, El Paso, Texas, is offering for sale 22,556 shares of cumulative 10 per cent preferred stock, according to a recent report from that association. This issue of preferred stock is the first that has ever been offered to the public by the association, and the proceeds are to be used in purchasing additional equipment. In the past, all expansion has been provided for by the original stockholders and the milk producers in the El Paso Valley.

The Rio Grande Valley Dairy Association was organized in 1916, with capital stock amounting to \$2,500. In nine years it has grown to be one of the largest dairy plants in the Southwest. At present the association owns property valued at \$100,000, and has approximately 325 stockholders, mostly farmers. During the year 1924, more than 11 million pounds of milk was received. Approximately 200,000 gallons of ice cream are manufactured yearly. Products are sold under the "Desert Gold" brand.

-----0-----

STORY OF WISCONSIN CHEESE PRODUCERS' FEDERATION

A new bulletin published by the Wisconsin Department of Markets tells "The History and Accomplishments of the Wisconsin Cheese Producers' Federation." The subtitle is "Ten Years of Successful Cooperative Marketing of American Cheese."

Section I deals with the cheese industry of Wisconsin which amounted to 225,000,000 pounds in 1924, or 75 per cent of the total quantity of American cheese produced in the United States. This cheese was produced in 2,400 factories, of which about one-third are cooperative. A description of the regular marketing channels is also given.

Section II is "Organizing the Federation," and tells of the early troubles of the cheesemakers and of the first attempts to improve conditions, then of the determined struggle of the farmers to secure some measure of control over the marketing of cheese, beginning in 1912. Two men were leaders in the bitter fight which followed: Senator Henry Krumrey, who was himself a farmer from Plymouth, and Dr. Charles McCarthy, chief of the Wisconsin State Legislative Reference Library. Dr. McCarthy was a firm believer in agricultural cooperation and "was in a position to observe from a vantage point the fluctuations of public opinion and the trend events were taking." He saw this movement "not as a local uprising of discontented farmers, but the manifestation of a movement for better farming, better business and better living that was soon to spread like a prairie fire over the whole country." How the federation was finally organized and ready to begin business early in 1914, is related.

The story of "The growth of the federation" is told in Section III, with due credit to some of the men who have done so much to bring the organization to its present state of efficiency. "What still remains to be done" is not forgotten.



HEAVY DELIVERIES OF SOUTH DAKOTA WHEAT TO POOL

Nearly two million bushels of 1925 wheat had been delivered to the South Dakota Wheat Growers' Association, Aberdeen, S. Dak., on December 1. Deliveries to the winter pool were approximately 400,000 bushels more than those of 1924 on the same date. Elevators and banks throughout the operating territory are giving excellent cooperation to the association. About 340 elevators are handling pool wheat and 241 banks are cooperating in distributing the money paid members for first advances.

----O----

CHARTERED ACCOUNTANTS' AUDIT OF ALBERTA WHEAT POOL

Net proceeds from the sale of wheat by the Alberta Cooperative Wheat Producers, Ltd., Calgary, Alberta, are reported by chartered accountants as \$35,042,014 for the 1924 pool. Of this amount, \$34,331,911, or 98 per cent, was transmitted to the growers in four payments. The operating and administrative expenses, less service charges, interest, etc., were \$93,353, for the 23,000,000 bushels of wheat handled. This was a cost of 2/5 of one cent a bushel for the services performed by the association. There was transferred to the elevator reserve, \$442,166 and to the commercial reserve, \$148,478. The elevator reserve is being created to provide capital with which to build or buy elevators as the need for such facilities arises.

The balance sheet as of August 31 showed capital stock liabilities of \$26,019 and liabilities because of reserves of \$803,934. Among the assets of the association were shares of stock valued at \$5,000 in the Canadian Cooperative Wheat Producers, Ltd.

----O----

NO NEW MEMBERS FOR ARKANSAS RICE ASSOCIATION AFTER DECEMBER

At the November monthly meeting of the board of directors of the Arkansas Rice Growers' Association, Stuttgart, it was decided to close the membership books on December 1 and not receive any more members after that date. It was further decided that any applications received between the time of the meeting and the date of closing the books should be subjected to close scrutiny and consideration of the past attitude of the applicant toward cooperation. It appears that the association is not anxious for more members at present and wants to exclude any who might not work for the best interests of the present membership.

On account of the wet harvest much of the rough rice received has to be dried or reconditioned. The directors have authorized the purchase of another dryer which will be installed in the mill at DeWitt for use this season if possible. The Stuttgart mill is equipped with a large dryer which has not been used for a number of years but has been overhauled and put to work. Growers are advised that the extra expense for drying will be charged to those who deliver their rice wet.

BIG GRAIN ELEVATOR BEING ERECTED AT ENID, OKLAHOMA

Part of the statement in Agricultural Cooperation for November 9, page 460, respecting the erection of a grain elevator at Enid, Okla., is erroneous, according to information recently received. The elevator is not to be erected by a railway company as stated, but by private capital. The first unit which is to be completed in time to handle the 1926 wheat crop will have a capacity of 500,000 bushels. The total capacity of the completed elevator will be 1,000,000 bushels. Public storage of grain will be furnished for farmers' elevators as well as for other interests.

----O----

CANADA GROWERS PLAN TO MARKET REGISTERED SEED GRAIN

The Fredericton District Seed Growers' Association was formed at the annual gathering known as "Neighbors' Day" held at the Dominion Experimental Station, Fredericton, N. B., according to a recent consular report. The purpose of this organization is the production and cooperative marketing of registered oats, barley and wheat for seed. Such seed shall be government inspected, guaranteed true to name with germinating test of over 90 per cent. The government has furnished a supply of registered seed to the members of the new organization and an output of 6,000 bushels of seed grain is anticipated the first year. Machinery for cleaning the seed has been purchased by the association and this has been installed at the Experiment Station. It is proposed to ship the grain in carlot quantities.

----O----

NEBRASKA HAS FOUR HUNDRED FARMERS' ELEVATORS

Nebraska has 407 farmers' elevators, at the present time, compared with 465 in 1920, a loss of 58 in the difficult period of reconstruction since 1920, according to the field report of the secretary of the Farmers' Elevator Association of Nebraska for the year ending October 31, 1925. Several of the companies have failed during the past year, but, according to the report, the failures have been inevitable for some time. Eight main reasons for these failures are given: (1) Speculating on grain in the elevator; (2) buying grain on a margin too narrow; (3) poor management; (4) lack of interest; (5) speculating in futures; (6) storing grain for the public; (7) credit business; (8) small volume of business. Each of these topics is discussed in some detail and constructive suggestions are offered.

One hundred forty-five elevators have been visited by the Secretary during the past year and he has attended many meetings and conferences besides making numerous business trips to points throughout the country.

MISSISSIPPI COTTON GROWERS HAVE HUNDRED PER CENT CLUB

A "One Hundred Per Cent Club" has been organized by the president of the Mississippi Farm Bureau Cotton Association, Jackson, Miss. In order to qualify for membership in this club a grower must deliver to the association for marketing all the cotton grown on his land by himself or his tenants, whether it is one bale or five hundred. The president is himself a charter member of the club.

----O----

HEAVY DELIVERIES OF COTTON REPORTED IN ARIZONA

Heavy deliveries of cotton are reported by the Arizona Pimacotton Growers, Phoenix, under date of November 15. Up to that time the association was receiving about 20 per cent of the total quantity of cotton ginned, compared with 14 per cent at the same time last year. Reports from the gins show that better grades of Pima cotton are coming in than earlier in the season. This is attributed largely to more careful picking, growers having found that care in picking means better grades and better returns.

Members are advised by the association management that the premiums for staple cotton, particularly that of good quality, is steadily rising in spite of the big crop, as there is a scarcity of staples of the quality the Salt River Valley produces.

----O----

CREDIT CORPORATION TO AID LOUISIANA FARMERS

A new organization known as the Louisiana Agricultural Credit Corporation, Inc., has been formed by the directors of the Louisiana Farm Bureau Cotton Growers' Cooperative Association, Shreveport, La. The purpose of the corporation is "To aid farmers and others engaged in agriculture and agricultural pursuits; to assist in financing such persons in the production, preservation, marketing, sale, purchase, and manufacture of all agricultural products, including livestock; to afford production or other credits to members of the Louisiana Farm Bureau Cotton Growers' Cooperative Association, and other similar cooperative associations."

The corporation is capitalized at \$50,000 in 5,000 shares of \$10 each. This may be increased to \$1,000,000. Business may be begun as soon as 50 per cent of the authorized capital is subscribed and 50 per cent of the subscribed capital is paid in. With the present capitalization the loaning power of the institution is \$400,000.



WISCONSIN TOBACCO POOL READY FOR NEW CROP

Arrangements are now being made by the management of the Northern Wisconsin Cooperative Tobacco Pool, Madison, Wis., for receiving the 1925 crop of tobacco. Tobacco will be received at 17 or 18 points in the producing region. Warehouses not already supplied with equipment are now being made ready for the fall rush. Several new presses are being installed.

Renewal contracts are still being received at the headquarters' office. These indicate a substantial increase in membership. The soliciting is being done by satisfied members of the organization.

----O----

BIG PAYMENT TO BRIGHT-BELT TOBACCO GROWERS

The management of the Tobacco Growers' Cooperative Association, Raleigh, N. C., announced under date of December 1 that \$1,500,000 would be distributed to members in the old bright belt of Virginia and North Carolina on their 1924 crop. This was a final payment on 18 grades.

Sixty-five per cent of bankers' valuation is being advanced to growers on delivery of their 1925 tobacco. Large deliveries are reported, running some days to half a million pounds. Up to November 21 the association had received 43,000,000 pounds of the 1925 crop. Large sales are also reported. Fifteen million pounds of this season's crop from the South Carolina belt have already been sold to several large dealers, mostly for future delivery. These sales cover practically all grades.

The membership campaign among the dark-fired tobacco growers of Virginia resulted in a sign-up of 7,000,000 pounds the first month, or 17 per cent of the total average production of the state. The campaign will be continued to November 1, 1926, by which time it is expected that 75 per cent of the dark tobacco acreage for the state will be under contract.

In South Carolina a membership campaign has been begun and the five-year contract is being presented to growers. A general organization committee has been selected and a plan of procedure is being mapped out. The 1,001 minute men who have been assisting the field men in securing delivery of tobacco are to go into the field with the new contracts. In addition, the local growers in the tobacco producing sections will lend their aid.

MICHIGAN WOOL POOL MAKES FINAL SETTLEMENT

Final settlement has been made to members of the Michigan State Farm Bureau's first 1925 wool pool. This is the second year of cooperation with the Ohio Wool Growers' Association and it is reported that members are well satisfied with results. There still remains the wool placed in the second pool which is to be sold by March 1, 1926.

-----O-----

GEORGIA PECANS BEING MARKETING RAPIDLY

In an open letter to the membership the president of the National Pecan Growers' Exchange, Albany, Ga., said recently, "If the exchange handled the total output of the country there would never be a worthless nut go on the market." The exchange this year is marketing an unusually large crop. In a single day over 94,000 pounds of nuts were received. One day 45,500 pounds of nuts were shipped in 84 lots, these nuts going to all parts of the country.

A subsidiary organization, the Albany District Pecan Exchange, prepares the nuts for marketing. The growers' exchange receives the nuts and, after they have been prepared for marketing by the subsidiary, performs the selling function and distributes the returns among the members.

The growers' exchange, which is now in its seventh year, has a membership of 600.

-----O-----

NORTH CAROLINA DIVISION OF MARKETS HELPS SELL PRODUCE

In order to help both buyers and sellers of corn and soy beans, the North Carolina Division of Markets, Raleigh, has assisted in organizing seven cooperative exchanges in the eastern part of the state and a specialist from the Division of Markets is acting as general and sales manager during the selling season.

Beans are sold on sample. Representative samples are collected from each grower and tested at the state seed laboratory. This makes it possible to show and guarantee the quality of each shipment. No beans are shipped that have not been carefully examined and graded. Each package carries a tag showing the exact nature and quality of its contents. Each sack of corn also is tagged to show the grade and the name of the grower delivering the corn. Growers are given to understand distinctly that they must stand behind the products they deliver.

Beans are sold in carlots or in smaller quantities. Five main varieties are offered. Corn is offered for sale in carlots, on the cob, in the shuck, or shucked; in bags or in bulk. Soy bean hay is also handled.

PRIZES FOR ESSAYS ON COOPERATION

Prizes of \$35, \$25, and \$15 are being offered by the Manitoba Cooperative Wheat Producers, Winnipeg, Canada, for the best essays on cooperation in each of three groups as follows: (1) Manitoba high school teachers; (2) high school students; (3) students in the Manitoba Agricultural College.

-----0-----

SCHOLARSHIP PRIZE OFFERED BY COOPERATIVE

Interest in agricultural education is evidenced by the Keystone Cooperative Grape Association, North East Pa., in its offer of a prize of \$25 to be awarded annually to a senior student of the North East High School. The factors to be considered in awarding the prize are: attendance for four years; scholarship standing for four years; home project work for four years. The prize will be awarded by the professor in charge of the agricultural department.

-----0-----

SECOND SESSION OF INSTITUTE OF COOPERATION ANNOUNCED

Announcement is made that the American Institute of Cooperation will hold its second summer session at the University of Minnesota during the summer of 1926. The session will open June 21 and continue for four weeks. At a meeting of the membership recently held, the number of trustees was increased from 21 to 25. The officers who were responsible for the success of the first session have been re-elected. Several farmers' organizations not heretofore affiliated with the Institute have been admitted to membership.

-----0-----

STATE COLLEGES GIVING ATTENTION TO COOPERATIVE MARKETING

Reports received by the Department of Agriculture from 43 of the state Agricultural Colleges show that 29 of these colleges are giving 47 courses of study which deal specifically with agricultural cooperation. Eleven other colleges are giving 36 courses in which cooperative marketing is given attention in the courses in marketing and economics. The number of courses given by the different colleges range from one to four. In 16 of the colleges reporting, but one course in cooperation is given; in 9, two courses; in 2, three courses; and in two colleges, 4 courses.

Two colleges give 5 courses in which cooperation is touched upon along with other marketing subjects. Three colleges report that no instruction is given in cooperation and 5 colleges did not report.



BOOKLET PRESENTS TREND OF JUDICIAL DECISIONS

A brochure of 38 pages which will be of interest to many officials of cooperative associations has been issued by the American Farm Bureau Federation, Chicago, Ill. The work is entitled "The Trends of Judicial Decisions in Cooperative Marketing and Compilation of Authorities on Cooperative Marketing Law." The author, Frank Evans, General Marketing Counsel of the American Farm Bureau Federation, goes back to the teachings of Christ which have ever exerted a profound influence on the laws under consideration, refers to the early English laws on the subject of monopoly which were the forerunners of our own laws, then shows the definite legal trend as reflected in statutes and court decisions bearing upon the subject of cooperative enterprises. The Compilation of Authorities includes one case in England which dates back to 1415 and another to 1711. Most of the references are to comparatively recent court decisions in the United States.

-----0-----

YEAR BOOK ISSUED BY NORTHERN STATES COOPERATIVE LEAGUE

The 1925 Year Book of the Northern States Cooperative League, Minneapolis, Minn., is an attractive, illustrated booklet of 114 pages, describing the activities of this educational federation of consumers' societies in the North Central States. The Northern States Cooperative League was founded in March, 1922, and this is the first year book it has issued. The present membership is of three classes: constituent members, mostly farmers' buying associations, either wholesale or retail; fraternal societies, such as labor unions; and individual members. The purposes for which the league was formed include the teaching of the principles of cooperation and the dissemination of information through lectures, printed matter, and other means. Since its formation the League has held three training schools to teach theories, principles, methods and history of cooperation, as well as administration, business management, and accounting. The first school was held for five weeks, and the second for six weeks. The third, which has been held since the booklet went to press, covered eight weeks. These schools are considered as the biggest work the league has undertaken. One result has been the development of a number of efficient managers for cooperative enterprises. In conducting these schools the league has had the support of its membership, particularly the Cooperative Central Exchange of Superior, Wis., which had already conducted similar schools in the Finnish language for its members, and the Franklin Cooperative Creamery of Minneapolis, which provided quarters for the schools and sent many of its employees to take advantage of the instruction offered.

Reports from constituent members of the league form the major part of the publication. There are also signed articles by a number of co-operators and a list of the cooperative stores in Minnesota.



SIXTY YEARS OF COOPERATION IN NEW SOUTH WALES

A report by the Registrar of Cooperative Societies in New South Wales for the period ending June 30, 1924, contains information regarding the development of cooperation in that state and the present status of the movement. According to the report, the first cooperative association was formed at Brisbane in 1859 before the separation of Queensland from New South Wales. In 1880 a company was formed to operate on a cooperative basis a "selling floor" in Sydney. Farm products were received, sold on commission, and bonuses, (patronage refunds) paid from earnings. This company failed in 1900, but was immediately succeeded by a new enterprise which has become an important factor in the marketing of farm products.

During 50 years closing with 1923, over 200 associations had been registered under the Cooperative Societies Act. Of this number, 61 were functioning at the beginning of 1924. These were mostly consumers' enterprises. In addition, 240 associations registered under the Companies Act were cooperative or had the word "cooperative" in their names. It is estimated that there were 100 active cooperative dairy marketing associations at the close of 1923.

Below are listed in chronological order a few facts regarding the cooperative movement in New South Wales:

- 1859 - First cooperative association established at Brisbane before separation of Queensland.
- 1864 - First association at Sydney.
- 1880 - South Coast and West Camden Cooperative Company, Ltd., Sydney. <sup>/a</sup> Failed in 1900.
- 1884 - First cooperative creamery; established near Kiama.
- 1895 - Berrima District Farm and Dairy Company, Sydney <sup>/a</sup>.
- 1900 - Coastal Farmers' Cooperative Society, Ltd., Sydney. Started as a sales agency but now also buys requisites.
- 1913 - Cooperative Wholesale Society began business.
- 1918 - Poultry Council formed to supervise pooling, storage, selling and exporting of eggs.
- 1919 - Graziers' Cooperative Shearing Company formed.
- 1920 - Australian Producers' Wholesale Cooperative Federation, Ltd. opened a "selling floor" in London.
- 1920 - First Australian Congress of Consumers' Cooperative Societies held at Sydney.
- 1921 - First cooperative fruit packing shed opened.
- 1923 - Farmers' Cooperative Implement Company formed.
- 1923 - North Coast Cooperative Company, Sydney <sup>/a</sup>.
- 1924 - First New South Wales Consumers' Cooperative Congress held at Newcastle.
- 1924 - Australian Cooperative Union formed.

/a An agency for selling cooperative farm products.

### DIRECTORS' PART IN COOPERATIVE MANAGEMENT

In any business, there is a group of individuals to which has been delegated the responsibility of formulating policies and directing their execution. In a cooperative, this group should include the board of directors and the executive staff.

One of the serious weaknesses of many cooperatives is found in the tendency of members of boards of directors to shirk responsibility in the matter of management. Too frequently the individual member looks upon his elevation to the office of director merely as a recognition of his standing in the community. Such an attitude is unfortunate and until every director comes to feel that he has accepted a trusteeship for the successful conduct of the business, cooperative enterprises will fail of attaining the full measure of success toward which they are ever struggling.

This trusteeship obligates every director to inform himself thoroughly respecting the operations of the business with which he has become vitally connected. In addition, he will need to understand fully the broader principles upon a thorough working knowledge of which depends, to a large extent, the degree of success and progress which the business will achieve. In this process of becoming acquainted with the business, it is important that opinions be formed only on the basis of facts, and be free of every vestige of prejudice and of preconceived opinion.

If lack of interest is a weakness, the wrong kind of interest is equally bad. Too frequently one finds the board interfering instead of directing. It is the duty of the board to formulate policies and to see that these policies are carried out by the executives. It should insist that complete facts be furnished by the manager, together with his suggestions regarding the proposed policies, and should determine the action to be taken on the basis of these facts.

If it is a source of weakness for the board to interfere in petty details, it is downright meddling for individual directors to attempt to dictate the course of action. Individual directors, unless specifically authorized, have no more right to control operations than other members of the association. Such interference with the operation of the business can only result in unstable and unsatisfactory management.

Probably the most frequent cause of unwise management is a lack of essential facts, or if these be at hand, an unwillingness to face the facts. Wisdom in management can largely be measured by the degree to which policies are practicable, trade preference is built up, and confidence created in its business fairness. Unwise or incompetent management is reflected in the proposal and initiation of policies which can not be carried out except at a cost of increased expenses, decreased prices, or sacrifices of trade confidence, greater than the business can afford.

To the extent that the board of directors makes a real effort to understand the demand for its products, and to formulate price and merchandising policies on the basis of all the facts, rather than on the basis of mere opinion, will its activities contribute to whatever measure of success is achieved.

A. V. Swarthout.

COOPERATIVE MANAGER LOSSES IN NEBRASKA SUPREME COURT

In the case of Farmers' Cooperative Mercantile Company v. Shultz et al., recently decided by the Supreme Court of Nebraska, 205 N.W., 288, the company brought suit against its former manager to recover substantial sums. The company is a cooperative capital stock organization and, regardless of the number of shares owned by a member, he had only one vote in the affairs of the company. Section 7 of the by-laws of the company provided as follows:

The board of directors shall have full power to buy and sell shares at par value. A shareholder wishing to withdraw his stock for any reason shall present the same to the directors and they shall have full power to dispose of and consent to transfer of same.

Defendant, while he was manager, and without consulting with the board of directors, attempted to turn over to the company, 344 shares of its capital stock of the par value of \$1,720, and he paid himself this amount for the stock out of the funds of the company. The company sued to recover \$1,720 from the defendant and the trial court, as well as the Supreme Court of the state, held that the company was entitled to recover this amount. In this connection it appeared that the company had from time to time in the past purchased the stock of shareholders who desired to dispose of their holdings, but in each case the board of directors had either authorized the purchase in advance or subsequently had ratified its purchase; but neither of these things had been done by the board of directors with reference to the stock of the defendant.

There were several distinct causes of action set forth in the complaint filed by the company against the defendant and on the trial in the lower court the company recovered on some of them and lost on others. The company appealed the case and the defendant also appealed. One of the causes of action involved a charge that the defendant owed the company \$8,000 in connection with the alleged issuance of certain stock to him. Defendant claimed that he had paid for this stock out of profits made by him through scalping operations conducted by him in the grain market. The lower court held in favor of the defendant with respect to this matter, but the higher court reversed this finding and, in doing so, pointed out that the defendant at the time in question stood in a fiduciary relation to the company. In this connection the court said:



If he had intermingled his own funds with the funds of the plaintiff, it was incumbent upon him to point out that he had funds in the plaintiff's cash account, to identify the transaction, and to point out the items which would represent his contributions to plaintiff's cash account.

Defendant failed to prove by clear and convincing evidence that he had funds of his own in plaintiff's cash account, and because he only testified generally in regard to this matter, and was unable to give the details concerning the alleged profits, he lost.

In connection with this cause of action, the defendant pleaded that the suit was not brought within the statutory period; but the court answered this contention by pointing out that "to permit the defendant to defeat recovery on the ground of the statute of limitations would permit him to take advantage of his own wrong. Under such circumstances the law will deny him the right to avail himself of the statute of limitations as a defense." This is in accord with the general rule which is that the statute of limitations shall not be used as an instrument of fraud; and which bars a party who has been guilty of fraud and who has concealed it until after the statutory period has run from pleading it as a defense to a suit growing out of the fraud. (Bailey v. Glover, 88 U. S. 342.)

There were several other causes of action involved in the suit but all of them, apparently, turn on questions of evidence and are not of peculiar interest.

L. S. Hulbert

-----O-----

#### VIRGINIA TOBACCO WAREHOUSE ACT IS VALID

In 1923 the state of Virginia enacted a statute requiring every person delivering leaf tobacco to a warehouseman or to a cooperative marketing association for sale, or for the purpose of offering it for sale, to advise such warehouseman or cooperative marketing association of the true name of the owner of said leaf tobacco, and it was made the duty of warehousemen and cooperative marketing associations to keep a record of the quantity of leaf tobacco delivered to them and the names of the owners thereof. Warehousemen and cooperative marketing associations are also required by the statute to show on a ticket or card the true name of the grower of the tobacco, with a list of the tobacco delivered. Persons delivering tobacco to a warehouse or association who are not the growers thereof are required on delivering tobacco to give the names of the persons from whom they purchased it, together with the names of the growers who produced it, and warehousemen and associations are required to place such information on said cards or tickets. All of such cards or tickets must be kept open to inspection by any representative of any public tobacco warehouse or tobacco growers' cooperative association during regular



business hours for ten days following the delivery of the tobacco, and such persons are given access to the place where said cards or tickets are kept for the purpose of such inspection. Violation of the Act is made a misdemeanor punishable by a fine of not less than \$50 nor more than \$500.

The Danville Warehouse Company, of Danville, Virginia, brought suit for the purpose of preventing representatives of the Tobacco Growers' Cooperative Association from inspecting the cards or tickets issued by it, referred to above. The case was decided by the Special Court of Appeals of Virginia on October 1, 1925, - 129 Southeastern, 739, in favor of the association. The opinion in this case was based upon the opinion of the Supreme Court of Appeals of Virginia rendered in two criminal cases involving this same statute, - those of Reaves Warehouse Corporation v. Commonwealth, 141 Va. 194, 126 S.E. 87, and Motley et al. v. Commonwealth, 141 Va. 194, 126 S. E. 87.

Referring to an alleged universal custom on the part of warehousemen to place fictitious names upon piles of leaf tobacco which they were offering for sale, the Supreme Court of Appeals in the cases above referred to said:

The statute was adopted to prevent fraud, and, if there had been a universal custom of warehousemen to indulge in such subterfuges whereby frauds were promoted, then it is manifest that the occasion had arisen for the state to intervene to prevent them. It is said by the learned counsel for the warehousemen that it is 'pertinent and proper for the court in this case to inquire into the true purpose of the act in question and ascertain whether it is a valid exercise of the police power of the state, or whether it is in reality "an arbitrary interference with private business," or whether it imposes "unusual and unnecessary restrictions" upon a lawful occupation, or "invades property rights." Responding to these inquiries, we have no doubt whatever that it is a valid exercise of the police power; that it is not an arbitrary interference with private business. Indeed the statute recognizes and accommodates itself to the customary methods of such business, namely, the identification of the specific piles of tobacco by the name of the true owner. That this invades no property rights is apparent.

AGRICULTURAL COOPERATION COMPLETES THIRD YEAR

This issue of Agricultural Cooperation completes Volume III consisting of 26 numbers, 530 pages. During the year the activities of more than 300 associations in various parts of the world have been reviewed. The volume contains more than 600 items regarding commodities, 95 articles about cooperation in foreign countries, 48 statements regarding legal phases of cooperation, 25 statistical reviews, and 4 articles dealing with business practices.

An index covering the 26 numbers will soon be ready for distribution. Copies will be mailed to libraries, to regular readers in foreign countries, and to such other individuals as may make requests.

-----O-----

IN THIS ISSUE

	<u>Page</u>
Fruits and vegetables:	
Colorado Potato Exchange building warehouses.....	515
Four years of cooperation by California Peach Growers.....	515
Washington Cooperative operates on budget system.....	516
Dairy products:	
Texas dairy association plans larger business.....	517
Story of Wisconsin Cheese Producers' Federation.....	517
Grain:	
Chartered accountants' audit of Alberta wheat pool.....	518
No new members for Arkansas Rice Assn. after December.....	518
Canada growers plan to market registered seed grain.....	519
Nebraska has four hundred farmers' elevators.....	519
Cotton:	
Mississippi cotton growers have "Hundred Per Cent Club"...	520
Heavy deliveries of cotton reported in Arizona.....	520
Credit corporation to aid Louisiana farmers.....	520
Tobacco:	
Wisconsin Tobacco Pool ready for new crop.....	521
Big payment to bright-belt tobacco growers.....	521
Miscellaneous products:	
Georgia pecans being marketed rapidly.....	522
North Carolina Division of Markets helps sell produce.....	522
Education and publications:	
Second session of Institute of Cooperation announced.....	523
State colleges giving attention to cooperation.....	523
Booklet presents trend of judicial decisions.....	524
Year Book issued by Northern States Cooperative League....	524
Foreign:	
Sixty years of cooperation in New South Wales.....	525
Business practices:	
Directors' part in cooperative management.....	526
Legal:	
Cooperative manager loses in Nebraska Supreme Court.....	527
Virginia tobacco warehouse act is valid.....	528

-----O-----